

Employer Advisor

AUDITING: CONTRACTORS VS. EMPLOYEES

Abraham Lincoln is credited with a clever riddle that goes something like this, "How many legs does a dog have if you call the tail a leg? Four. Calling a tail a leg does not make it a leg."

Just as calling a tail a leg does not make it a leg; calling an employee a contractor does not make the employee a contractor.

To those unfamiliar with the law or to those caught up in the time constraints of conducting business, attempting to determine employee or contractor status may seem a daunting and tedious task. Workers facing unemployment are all too often willing to accept a contractor designation in order to maintain an income. Likewise, a business may classify a worker as a contractor based on the misguided advice of an accountant who lacks experience with the law. When this occurs, DWS may assign an experienced auditor to evaluate the employment relationship and apply the law in an equitable manner.

WHAT OCCURS DURING AN AUDIT?

An auditor may review business expense records, payroll records, federal forms, 1099/1096, or tax returns to determine if workers are correctly classified as contractors or employees.

DID YOU KNOW THE MAJORITY OF UTAH EMPLOYERS ACCURATELY CLASSIFY EMPLOYEES AS EMPLOYEES AND CONTRACTORS AS CONTRACTORS?

HOW DO I PREPARE FOR AN AUDIT?

Read the audit notice that will be sent to you and follow the instructions in the notice.

WHAT GOOD THINGS CAN COME FROM AN AUDIT?

You may better understand UT's definition of employment. Compliance with Utah's unemployment law and the timely payment of unemployment insurance taxes qualify you for the 90% reduction of your SUTA tax.



LABOR MARKET DATA FROM DWS

Economic and labor market information especially useful to employers has been compiled and posted on our web page: <https://jobs.utah.gov/wi/>. There you will find figures on employment and unemployment, the

employer cost index, wage data (statewide and in 9 sub-state areas), consumer price index, income, industry information and county-level data of various types. Significantly, DWS is the only source providing county-level economic information such as wages, the unemployment rate, and the largest employers in the county.

DWS HELPS KEEP EMPLOYER TAX RATES LOW

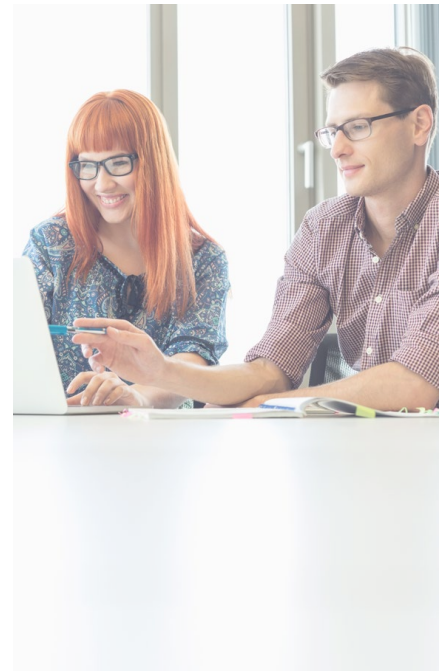
A major factor in the calculation of an employer's unemployment insurance (UI) tax rate is benefits paid to claimants collecting UI. When a UI claimant fraudulently collects benefits, an employer's tax rate is increased unfairly. Employers can help prevent fraud by reporting wage information and by reporting new hire data timely.

Workforce Services uses the wage information and new hire information to detect and prevent the payment of unlawful benefits, including UI, Medicaid and Supplemental Nutrition Assistance Program (SNAP or Food Stamps).

Employers can also ensure benefit costs are accurate by reporting fraud

or suspected fraud, responding to the Notice of Claim Filed, participating in the initial adjudication process and participating in any appeal hearings. Doing so helps DWS accurately assess eligibility and attribute only those benefit costs that should be assigned.

Working together, DWS and the employer community help keep employer tax rates low and enhance the accurate administration of the UI program. Doing so protects the financial integrity of the UI Trust Fund ensuring that Utah employers enjoy the lowest possible tax rates.



The following unemployment benefits available from the CARES Act and American Rescue Plan Act will end effective 6/26/21:

- Pandemic Unemployment Assistance (PUA)
- Pandemic Emergency Unemployment Compensation (PEUC)
- Mixed Earners Unemployment Compensation (MEUC)
- Federal Pandemic Unemployment Compensation (FPUC)
- More information at: <https://jobs.utah.gov/covid19/feduistimfaq.pdf>

